

**NORTH ISLAND COLLEGE
FINANCIAL STATEMENTS
For the years ended March 31, 2013 and 2012**

North Island College
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For the years ended March 31, 2013 and 2012

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FINANCIAL STATEMENTS

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KPMG LLP
Chartered Accountants
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7

Telephone (250) 480-3500
Telefax (250) 480-3539
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of North Island College and the Minister of Advanced Education, Innovation and Technology

We have audited the accompanying financial statements of North Island College, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statement of remeasurement gains and losses for the year ended March 31, 2013, the statements of operations, changes in net debt and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of North Island College as at March 31, 2013, March 31, 2012 and April 1, 2011 and for the years ended March 31, 2013 and March 31, 2012 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

May 22, 2013

Victoria, Canada

North Island College
Statements of Financial Position
As at March 31, 2013, March 31, 2012 and April 1, 2011


	Note	2013	2012	2011
Financial assets				
Cash and cash equivalents		\$ 6,736,887	\$ 5,766,949	\$ 4,702,415
Accounts receivable		306,430	457,706	665,224
Due from government organizations	4	581,114	517,752	1,308,530
Inventories held for resale		203,055	201,329	216,554
Portfolio investments	5	<u>14,880,127</u>	<u>10,112,174</u>	<u>9,622,290</u>
		22,707,613	17,055,910	16,515,013
Liabilities				
Accounts payable and accrued liabilities	6	5,627,041	4,906,256	5,290,170
Due to government organizations	4	439,825	369,447	314,338
Employee future benefits	7	297,085	418,078	483,023
Deferred revenue		3,282,001	3,676,749	2,570,176
Deferred contributions	8	10,256,740	5,238,718	5,378,506
Deferred capital contributions	9	<u>23,332,095</u>	<u>22,656,196</u>	<u>23,803,643</u>
		43,234,787	37,265,444	37,839,856
Net financial assets (net debt)		(20,527,174)	(20,209,534)	(21,324,843)
Non-financial assets				
Tangible capital assets	10	28,708,785	27,943,981	28,861,968
Prepaid expenses		<u>128,991</u>	<u>72,443</u>	<u>96,509</u>
		28,837,776	28,016,424	28,958,477
Accumulated surplus		<u>\$ 8,310,602</u>	<u>\$ 7,806,890</u>	<u>\$ 7,633,634</u>
Accumulated surplus is comprised of:				
Accumulated surplus		\$ 7,864,811	\$ 7,806,890	\$ 7,633,634
Accumulated remeasurement gains		<u>445,791</u>	<u>-</u>	<u>-</u>
		<u>\$ 8,310,602</u>	<u>\$ 7,806,890</u>	<u>\$ 7,633,634</u>

See accompanying notes to the financial statements

Approved on behalf of the Board of Governors



Bruce Calder,
Chair of the Board of Governors



Carol Baert,
Vice President, Finance and Facilities

North Island College
Statements of Operations and Accumulated Surplus
For the years ended March 31, 2013 and 2012

	Note	Budget 2013	2013	2012
Revenue				
Province of British Columbia		\$ 28,147,459	\$ 30,031,530	\$ 27,766,057
Government of Canada grants		-	45,927	9,160
Tuition and student fees		5,895,559	6,164,589	6,178,624
Contract services		320,000	435,206	798,976
Sales of goods and services		1,512,004	1,448,630	1,453,984
Investment income		355,000	402,209	569,038
Other income		110,622	463,902	428,304
Revenue recognized from deferred capital contributions		<u>1,775,000</u>	<u>1,788,284</u>	<u>1,988,598</u>
		38,115,644	40,780,277	39,192,741
Expenses (Schedule 1)				
Instructional and non-sponsored research		36,520,281	38,402,356	36,710,015
Ancillary services		1,538,963	1,529,922	1,541,722
Sponsored research		-	45,927	9,160
Special purpose		<u>56,400</u>	<u>744,151</u>	<u>758,588</u>
		38,115,644	40,722,356	39,019,485
Surplus for the year		-	57,921	173,256
Accumulated surplus, beginning of year	3	<u>7,806,890</u>	<u>7,806,890</u>	<u>7,633,634</u>
Accumulated surplus, end of year		<u>\$ 7,806,890</u>	<u>\$ 7,864,811</u>	<u>\$ 7,806,890</u>

See accompanying notes to the financial statements

North Island College
Statement of Remeasurement Gains and Losses
For the year ended March 31, 2013

	2013
Accumulated remeasurement gains, beginning of year	\$ -
Unrealized gains attributed to:	
Pooled bond funds	92,100
Pooled equity funds	<u>353,691</u>
Remeasurement gains for the year	445,791
Accumulated remeasurement gains, end of year	<u>\$ 445,791</u>

See accompanying notes to the financial statements

North Island College
Statements of Cash Flows
For the years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations		
Surplus for the year	\$ 57,921	\$ 173,256
Items not involving cash:		
Amortization of tangible capital assets	2,614,632	2,823,603
Revenue recognized from deferred capital contributions	(1,788,284)	(1,988,598)
Change in employee future benefits	(120,993)	(64,945)
Loss (gain) on sale of tangible capital assets	59,517	(14,088)
Change in non-cash operating working capital:		
Decrease in accounts receivable	151,276	207,518
Decrease (increase) in due from government organizations	(63,362)	790,778
Decrease (increase) in prepaid expenses	(56,548)	24,066
Decrease (increase) in inventories held for resale	(1,726)	15,225
Increase (decrease) in accounts payable and accrued liabilities	720,785	(383,914)
Increase in due to government organizations	70,378	55,109
Increase (decrease) in deferred revenue	(394,748)	1,106,573
Increase (decrease) in non-capital contributions	<u>5,018,022</u>	<u>(139,788)</u>
Net change in cash from operating activities	6,208,949	2,431,539
Capital activities		
Cash used to acquire tangible capital assets	(3,448,406)	(1,905,616)
Proceeds from deferred capital contributions	2,464,183	841,151
Proceeds on disposal of tangible capital assets	<u>9,453</u>	<u>14,088</u>
Net change in cash from capital activities	(974,770)	(1,050,377)
Investing activities		
Increase in investments	(4,767,953)	(489,884)
Net remeasurement gains	<u>445,791</u>	<u>-</u>
Net change in cash from investing activities	(4,322,162)	(489,884)
Net change in cash and cash equivalents	969,938	1,064,534
Cash and cash equivalents, beginning of year	<u>5,766,949</u>	<u>4,702,415</u>
Cash and cash equivalents, end of year	<u>\$ 6,736,887</u>	<u>\$ 5,766,949</u>

See accompanying notes to the financial statements

North Island College
Statements of Changes in Net Financial Assets (Net Debt)
For the years ended March 31, 2013 and 2012

	Budget 2013	2013	2012
Surplus for the year	\$ -	\$ 57,921	\$ 173,256
Acquisition of tangible capital assets	(536,911)	(3,448,406)	(1,905,616)
Amortization of tangible capital assets	2,480,000	2,614,632	2,823,603
Loss (gain) on sale of tangible capital assets		59,517	(14,088)
Proceeds on sale of tangible capital assets	<u>-</u>	<u>9,453</u>	<u>14,088</u>
	1,943,089	(764,804)	917,987
Acquisition of prepaid expenses	-	(126,211)	(57,787)
Use of prepaid expenses	<u>-</u>	<u>69,663</u>	<u>81,853</u>
	-	(56,548)	24,066
Net remeasurement gains	-	445,791	-
Change in net financial assets (net debt)	1,943,089	(317,640)	1,115,309
Net debt, beginning of year	<u>(20,209,534)</u>	<u>(20,209,534)</u>	<u>(21,324,843)</u>
Net debt, end of year	<u>\$ (18,266,445)</u>	<u>\$ (20,527,174)</u>	<u>\$ (20,209,534)</u>

See accompanying notes to the financial statements

North Island College

Notes to the Financial Statements

Years ended March 31, 2013 and 2012

1 Authority and purpose

North Island College operates under the authority of the College Institute Act of British Columbia. The College is a not-for-profit entity governed by a Board of Governors, the majority of which are appointed by the provincial government of British Columbia. The College is a registered charity and is exempt from income taxes under section 149 of the Income Tax Act.

2 Summary of significant accounting policies

The financial statements of the College are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the College are as follows:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections effective their first fiscal year commencing after January 1, 2012.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which require that government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

Financial instruments are classified into two categories: fair value or cost.

(i) Fair value category: all portfolio investments are quoted in an active market and therefore reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments are recorded as an expense. Unrealized gains and losses on financial assets are recognized in the Statement of Remeasurement Gains and Losses until such time that the financial asset is derecognized due to disposal or impairment. At the time of derecognition, the related realized gains and losses are recognized in the Statements of Operations and Accumulated Surplus and related balances reversed from the Statement of Remeasurement Gains and Losses.

(ii) Cost category: financial assets and liabilities are recorded at cost or amortized cost. Gains and losses are recognized in the Statements of Operations and Accumulated Surplus when the financial asset is derecognized due to disposal or impairment. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of financial assets are included in the cost of the related instrument.

Prior to the adoption of the above policies under PS3450 effective April 1, 2012, the College applied the disclosure and presentation standards in accordance with section 3861 of the CICA Handbook. Investments were recorded at fair value with changes in value recorded in the Statement of Operations.

(d) Inventories held for resale

Inventories held for resale, including books and merchandise for sale in campus bookstores are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

Buildings and site improvements	
Concrete and steel buildings	40 years
Wood-framed buildings	20 years
Site improvements	10 years
Furniture and equipment	
Library books	10 years
Furniture, equipment, and vehicles	5 years
Computer servers	5 years
Computer equipment	3 years
Leasehold improvements	Remaining term of the lease

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the College's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art and historic assets

Works of art and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

(f) Employee future benefits

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan which are multi-employer joint trustee plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, the plan is accounted for as a defined contribution plan and any contributions of the College to the plan are expensed as incurred.

Sick leave benefits are also available to the College's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

(g) Revenue recognition

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

The College leases certain land properties to third parties for a period of 99 years. Cash received from land leases is deferred and amortized to revenue on a straight-line basis over the term of the lease.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and writedowns on investments where the loss in value is determined to be other-than-temporary.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

(h) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures. Key areas where management has made estimates and assumptions include those related to the fair value of financial instruments, useful life of tangible capital assets, the present value of employee future benefits and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(i) Foreign currency translation

The College's functional currency is the Canadian dollar. There are no significant foreign currency transactions.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the North Island College 2012-2013 Budget approved by the Board of Governors of North Island College on March 28, 2012.

Budget figures are presented only for information purposes.

3 Adoption of new financial reporting framework

Effective April 1, 2012, the College adopted the financial reporting framework described in note 2(a). These financial statements are the first financial statements for which the College has applied this financial reporting framework.

The impact of the adoption of this financial reporting framework on accumulated surplus at the date of transition and the comparative annual surplus is presented below. These accounting changes have been applied retroactively with restatement of prior periods.

The College has elected to use the exemption allowed upon first-time adoption for retirement and post-employment benefits whereby unamortized gains and losses to date of transition are recorded into accumulated surplus.

Key adjustments on the College's financial statements resulting from the adoption of these accounting standards are as follows:

(a) Canadian public sector accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the College in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for employee future benefits at April 1, 2011 was \$23,000. An additional expense of \$13,000 was recognized in the 2012 fiscal year. The liability for employee future benefits recorded at March 31, 2012 was decreased by \$10,000 related to the accrual for accumulated sick leave entitlement, determined by an actuarial valuation.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

(b) Computer software is included in the definition of a tangible capital asset under Canadian public sector accounting standards.

(c) Corrections of previously recorded amounts:

Accumulated surplus as at April 1, 2011 and results for the year ended March 31, 2012 have been adjusted for immaterial corrections to vacation payable and professional development payable. The adjustments are included in the summary of adjustments.

	2012	2011
Accounts payable and accrued liabilities	\$ 67,107	\$ 9,513
Accumulated surplus	(67,107)	(9,513)

(d) Summary of adjustments

	2012			2012
	Previously Stated	Reclassifications	Adjustments	Restated
Statement of Financial Position				
Short term investments	\$ 605,793	\$ (605,793)	\$ -	\$ -
Accounts receivable	1,021,430	(563,724)	-	457,706
Due from government organizations	-	517,752	-	517,752
Portfolio investments	9,506,381	605,793	-	10,112,174
Accounts payable and accrued liabilities	5,682,646	(843,497)	67,107	4,906,256
Due to government organizations	-	369,447	-	369,447
Employee future benefits	-	428,078	(10,000)	418,078
Deferred revenue	8,915,467	(5,238,718)	-	3,676,749
Deferred contributions	-	5,238,718	-	5,238,718

	2011			2011
	Previously Stated	Reclassifications	Adjustments	Restated
Statement of Financial Position				
Short term investments	\$ 302,636	\$ (302,636)	\$ -	\$ -
Accounts receivable	1,973,701	(1,308,424)	-	665,277
Due from government organizations	-	1,308,477	-	1,308,477
Portfolio investments	9,319,654	302,636	-	9,622,290
Accounts payable and accrued liabilities	6,100,965	(820,308)	9,513	5,290,170
Due to government organizations	-	314,338	-	314,338
Employee future benefits	-	506,023	(23,000)	483,023
Deferred revenue	7,948,682	(5,378,506)	-	2,570,176
Deferred contributions	-	5,378,506	-	5,378,506

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

	2012			2012
	Previously Stated	Reclassifications	Adjustments	Restated
Statement of Operations				
Province of British Columbia	\$ 26,427,695	\$ 1,338,362	\$ -	\$ 27,766,057
Government of Canada grants	9,160	-	-	9,160
Tuition and student fees	6,178,624	-	-	6,178,624
Contract services	1,755,407	(956,431)	-	798,976
Sales of goods and services	1,453,984	-	-	1,453,984
Investment income	-	569,038	-	569,038
Other income	1,016,732	(588,428)	-	428,304
Grant transfers	381,931	(381,931)	-	-
Revenue recognized from deferred capital contributions	1,988,598	-	-	1,988,598
Instructional and non sponsored research	-	36,639,421	70,594	36,710,015
Ancillary services	-	1,541,722	-	1,541,722
Sponsored research	-	9,160	-	9,160
Special purpose	-	758,588	-	758,588
Salaries and benefits	27,255,560	(27,255,560)	-	-
Other	8,507,187	(8,507,187)	-	-
Grant transfers	381,931	(381,931)	-	-
Amortization of capital assets	2,823,603	(2,823,603)	-	-
Accumulated surplus at April 1, 2012:				
Accumulated surplus, as previously reported				\$ 7,863,997
Sick leave accrual (note 3a)				10,000
Accrued vacation and professional development (note 3c)				<u>(67,107)</u>
Accumulated surplus				<u>\$ 7,806,890</u>
Accumulated surplus at April 1, 2011:				
Accumulated surplus, as previously reported				\$ 7,620,147
Sick leave accrual (note 3a)				23,000
Accrued vacation and professional development (note 3c)				<u>(9,513)</u>
Accumulated surplus, as restated				<u>\$ 7,633,634</u>
Annual surplus for 2012:				
Annual surplus, as previously reported				\$ 243,850
Sick leave benefit accrual (note 3a)				(13,000)
Accrued vacation and professional development (note 3c)				<u>(57,594)</u>
Annual surplus, as restated				<u>\$ 173,256</u>

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

4 Due from and to governments and other government organizations

Due from:	2013	2012	April 1, 2011
Federal government	\$ 104,949	\$ 84,764	\$ 657,147
Provincial government	209,341	136,778	426,550
Other government organizations	<u>266,824</u>	<u>296,210</u>	<u>224,833</u>
	<u>\$ 581,114</u>	<u>\$ 517,752</u>	<u>\$ 1,308,530</u>

Due to:	2013	2012	April 1, 2011
Federal government	\$ 269,516	\$ 242,627	\$ 246,306
Provincial government	1,808	3,030	4,745
Other government organizations	<u>168,501</u>	<u>123,790</u>	<u>63,287</u>
	<u>\$ 439,825</u>	<u>\$ 369,447</u>	<u>\$ 314,338</u>

5 Portfolio investments

Portfolio investments recorded at fair value are comprised of the following:

Portfolio investments:	2013	2012	April 1, 2011
Fixed income	\$ 694,078	\$ 605,793	\$ 302,636
Pooled bond funds	7,841,892	5,450,041	6,077,600
Pooled equity funds	<u>6,344,157</u>	<u>4,056,340</u>	<u>3,242,054</u>
	<u>\$ 14,880,127</u>	<u>\$ 10,112,174</u>	<u>\$ 9,622,290</u>

6 Accounts payable and accrued liabilities

	2013	2012	April 1, 2011
Trade payable	\$ 1,546,725	\$ 1,305,395	\$ 947,313
Salaries and benefits payable	387,404	281,347	656,708
Accrued leaves payable	2,588,790	2,404,889	2,493,706
Other payables and accrued liabilities	<u>1,104,122</u>	<u>914,625</u>	<u>1,192,443</u>
	<u>\$ 5,627,041</u>	<u>\$ 4,906,256</u>	<u>\$ 5,290,170</u>

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

7 Employee future benefits

(a) Pension benefits:

The College and its employees contribute to the College Pension Plan and the Municipal Pension Plan, jointly trustee pension plans. The board of trustees for these plans represent plan members and employers and are responsible for the management of the pension plan including investment of the assets and administration of benefits. The pension plans are multi-employer contributory pension plans. Basic pension benefits provided are based on a formula. The College Pension Plan has about 13,000 active members from college senior administration and instructional staff and approximately 5,000 retired members. The Municipal Pension Plan has about 176,000 active members, with approximately 5,700 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2009 indicated a \$1 million funding surplus for basic pension benefits. The next valuation will be as at August 31, 2012 with results available in 2013. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the plan as the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.

The College paid \$1,902,355 for employer contributions to the plans in fiscal 2013 (2012: \$1,985,545).

(b) Other benefits:

	2013	2012	April 1, 2011
Severance	\$ 242,085	\$ 366,078	\$ 424,023
Accumulated sick leave benefit	<u>55,000</u>	<u>52,000</u>	<u>59,000</u>
	<u>\$ 297,085</u>	<u>\$ 418,078</u>	<u>\$ 483,023</u>

(i) The College provides severance benefits to eligible employees based on eligibility, years of service, and final salary.

(ii) Employees of the College are entitled to sick leave in accordance with the terms and conditions of their employment contracts. Sick leave credits accumulate for employees of the College, as they render services they earn the right to the sick leave benefit. The College recognizes a liability and an expense for sick leave in the period in which employees render services in return for the benefits. The accrued benefit obligation and the net periodic benefit cost were estimated by an actuarial valuation effective April 1, 2011 and for each of the years ended March 31, 2012 and 2013.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

Information about liabilities for the College's sick leave plan is as follows:

	2013	2012
Accrued benefit obligation		
Balance, beginning of year	\$ 52,000	\$ 59,000
Current service cost	30,000	29,000
Interest cost	3,000	3,000
Benefits paid	(27,000)	(26,000)
Net actuarial gain	<u>(3,000)</u>	<u>(13,000)</u>
Accrued benefit obligation, end of year	<u>\$ 55,000</u>	<u>\$ 52,000</u>

The accrued benefit obligation is included as part of employee future benefits on the statement of financial position.

Components of net benefit expense:

	2013	2012
Service cost	\$ 30,000	\$ 29,000
Interest cost	3,000	3,000
Net actuarial gain	<u>(3,000)</u>	<u>(13,000)</u>
Net benefit expense	<u>\$ 30,000</u>	<u>\$ 19,000</u>

The significant actuarial assumptions adopted in measuring the College's accrued benefit obligation are as follows:

	2013	2012
Discount rates	3.9%	3.75%
Expected wage and salary increases	2%	0%

North Island College
Notes to the Financial Statements
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8 Deferred contributions

Deferred contributions are comprised of funds for restricted uses including special programs, facilities and research. Changes in the deferred contribution balances are as follows:

	2013		
	Land Sale	Other	Total
Balance, beginning of year	\$ -	\$ 5,238,718	\$ 5,238,718
Contributions received	3,961,144	2,715,797	6,676,941
Revenue recognized	<u>-</u>	<u>(1,658,919)</u>	<u>(1,658,919)</u>
Balance, end of year	<u>\$ 3,961,144</u>	<u>\$ 6,295,596</u>	<u>\$ 10,256,740</u>
		2012	
		Other	Total
Balance, beginning of year		\$ 5,378,506	\$ 5,378,506
Contributions received		453,016	453,016
Revenue recognized		<u>(592,804)</u>	<u>(592,804)</u>
Balance, end of year		<u>\$ 5,238,718</u>	<u>\$ 5,238,718</u>

During the year, the College sold 11.164 acres of land to the Vancouver Island Health Authority for \$4,030,114. Use of the sale proceeds is restricted under the College and Institute Act. The proceeds, net of land costs of \$68,970, have been recorded as deferred contributions until permission to use the funds for acquisition of specific capital assets is granted.

9 Deferred capital contributions

Funding contributions for tangible capital assets are referred to as deferred capital contributions. Amounts are recognized into revenue as the asset is amortized over the useful life of the asset. Treasury Board specified this accounting treatment as disclosed in note 2. Changes in the deferred capital contributions balance are as follows:

	2013	2012
Balance, beginning of year	\$ 22,656,196	\$ 23,803,643
Contributions expended on tangible capital assets	2,464,183	841,151
Revenue recognized from deferred capital contributions	<u>(1,788,284)</u>	<u>(1,988,598)</u>
Balance, end of year	<u>\$ 23,332,095</u>	<u>\$ 22,656,196</u>

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

10 Tangible capital assets

Cost	Mar 31, 2012	Additions	Disposals/Transfers	Mar 31, 2013
Land	\$ 526,889	\$ -	\$ (68,970)	\$ 457,919
Site improvements	2,147,412	38,489	114,921	2,300,822
Buildings	51,731,485	368,635	965,729	53,065,849
Furniture & equipment	2,638,469	1,718,284	-	4,356,753
Software & licences	206,615	17,204	-	223,819
Computer equipment	1,248,902	149,126	-	1,398,029
Leasehold improvements	15,103	-	-	15,103
Vehicles	21,113	75,960	-	97,073
Library books	580,911	42,398	-	623,309
Capital leases	28,226	-	(28,226)	-
Assets under construction	<u>518,976</u>	<u>1,038,310</u>	<u>(1,080,650)</u>	<u>476,636</u>
Total	\$ <u>59,664,101</u>	\$ <u>3,448,406</u>	\$ <u>(97,196)</u>	\$ <u>63,015,312</u>

Accumulated amortization	Mar 31, 2012	Amortization	Disposals	Mar 31, 2013
Site improvements	\$ (996,587)	\$ (216,600)	\$ -	\$ (1,213,187)
Buildings	(27,910,906)	(1,638,962)	-	(29,549,868)
Furniture & equipment	(1,551,362)	(467,875)	-	(2,019,237)
Software & licences	(109,441)	(38,951)	-	(148,392)
Computer equipment	(753,640)	(198,985)	-	(952,625)
Leasehold improvements	(9,113)	(316)	-	(9,429)
Vehicles	(14,266)	(4,106)	-	(18,371)
Library books	(346,581)	(48,837)	-	(395,418)
Capital leases	<u>(28,226)</u>	<u>-</u>	<u>28,226</u>	<u>-</u>
Total	\$ <u>(31,720,120)</u>	\$ <u>(2,614,632)</u>	\$ <u>28,226</u>	\$ <u>(34,306,525)</u>

	Net Book Value Mar 31, 2012	Net Book Value Mar 31, 2013
Land	\$ 526,889	\$ 457,919
Site improvements	1,150,825	1,087,635
Buildings	23,820,579	23,515,980
Furniture & equipment	1,087,107	2,337,517
Software & licences	97,174	75,427
Computer equipment	495,263	445,404
Leasehold improvements	5,990	5,674
Vehicles	6,848	78,702
Library books	234,330	227,891
Capital leases	-	-
Assets under construction	<u>518,976</u>	<u>476,636</u>
Total	\$ <u>27,943,981</u>	\$ <u>28,708,785</u>

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

Cost	Mar 31, 2011	Additions	Disposals/Transfers	Mar 31, 2012
Land	\$ 526,889	\$ -	\$ -	\$ 526,889
Site improvements	2,375,586	43,598	(271,772)	2,147,412
Buildings	50,859,806	167,826	703,853	51,731,485
Furniture & equipment	4,855,145	376,504	(2,593,180)	2,638,469
Software & licences	344,021	65,487	(202,894)	206,615
Computer equipment	1,682,686	218,544	(652,328)	1,248,902
Leasehold improvements	1,261,055	-	(1,245,952)	15,103
Vehicles	55,486	-	(34,373)	21,113
Library books	609,405	45,530	(74,024)	580,911
Capital leases	28,226	-	-	28,226
Assets under construction	291,599	988,127	(760,750)	518,976
Total	\$ 62,889,904	\$ 1,905,616	\$ (5,131,420)	\$ 59,664,101

Accumulated amortization	Mar 31, 2011	Amortization	Disposals	Mar 31, 2012
Site improvements	\$ (1,066,173)	\$ (206,253)	\$ 275,839	\$ (996,587)
Buildings	(26,060,473)	(1,850,433)	-	(27,910,906)
Furniture & equipment	(3,773,052)	(422,128)	2,643,819	(1,551,362)
Software & licences	(267,454)	(44,880)	202,894	(109,441)
Computer equipment	(1,171,761)	(236,398)	654,519	(753,640)
Leasehold improvements	(1,252,826)	(2,239)	1,245,952	(9,113)
Vehicles	(44,415)	(4,223)	34,373	(14,266)
Library books	(367,621)	(52,985)	74,024	(346,581)
Capital leases	(24,162)	(4,064)	-	(28,226)
Total	\$ (34,027,937)	\$ (2,823,603)	\$ 5,131,420	\$ (31,720,120)

	Net Book Value Mar 31, 2011	Net Book Value Mar 31, 2012
Land	\$ 526,889	\$ 526,889
Site improvements	1,309,414	1,150,825
Buildings	24,799,332	23,820,579
Furniture & equipment	1,082,092	1,087,107
Software & licences	76,567	97,174
Computer equipment	510,925	495,263
Leasehold improvements	8,229	5,990
Vehicles	11,070	6,848
Library books	241,784	234,330
Capital leases	4,064	-
Assets under construction	291,599	518,976
Total	\$ 28,861,965	\$ 27,943,981

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

(a) Contributed tangible capital assets

Additions include the following contributed tangible assets:

	2012
Logs for Gathering Place	\$ 19,124

(b) Assets under construction

Assets under construction having a value of \$476,265 (2012: \$518,976) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

11 Financial risk management

The College is potentially exposed to credit risk, liquidity risk, foreign exchange risk and interest rate risk from the entity's financial instruments. Qualitative and quantitative analysis of the significant risks from the College's financial instruments is provided below by type of risk.

(a) Credit risk

Credit risk primarily arises from the College's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

Accounts receivable primarily consist of amounts receivable from government organizations, students, clients and sponsors. To reduce the risk, the College regularly reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2013, the amount of allowance for doubtful debts was \$43,780 (2012: \$50,915), as these accounts receivable are deemed by management not to be collectible. The College historically has not had difficulty collecting receivables, nor have counterparties defaulted on any payments.

(b) Market and interest rate risk

Market risk is the risk that changes in market prices and inputs, such as interest rates, will affect the College's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return on risk.

The College manages market risk by holding cash balances with a top rated Canadian Schedule I financial institution. The portfolio investments are professionally managed following the investment program which is approved by the College's Board of Governors and consistent with the requirements of the College and Institute Act. The College periodically reviews its investments and is satisfied that the portfolio investments are being managed in accordance with the investment program.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

It is management's opinion that the College is not exposed to significant market or interest rate risk arising from its financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due.

The College receives its principal source of capital through funding received from the Province of British Columbia. The College defines capital to be net assets, long-term debt and deferred capital contributions.

The College's objective when managing capital is to fund its operations and capital asset additions. The College manages the capital structure in conjunction with the Ministry of Advanced Education and makes adjustments based on available government funding and economic conditions. Currently, the College's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding granted by the Ministry of Advanced Education.

(d) Foreign exchange risk

The College has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

12 Contractual obligations

The nature of the College's activities can result in multiyear contracts and obligations whereby the College will be committed to make future payments. Significant contractual obligations related to operations that can be reasonably estimated are as follows:

	2014
Port Hardy Campus	\$ 97,000
Port Alberni Campus	108,849
Other	<u>4,904</u>
	<u>\$ 210,753</u>

13 Contingent liabilities

The College may, from time to time, be involved in legal proceedings, claims, and litigation that arise in the normal course of business. In the event that any such claims or litigation are resolved against the College, such outcomes or resolutions could have a material effect on the business, financial condition, or results of operations of the College. At March 31, 2013, there are no outstanding claims.

North Island College
Notes to the Financial Statements
Years ended March 31, 2013 and 2012

14 Related parties

North Island College Foundation is a not-for-profit organization and a registered charity under the Income Tax Act. The Foundation was created to enhance the delivery of North Island College's programs and services by raising funds to provide scholarships and bursaries, and to support various College projects. Although there is no common control of the organizations through the Board appointment or other forms of control, the Foundation is related to the College by virtue of holding resources which are to be used to provide support to students attending the College. Transactions with the Foundation were recorded at the exchange amount.

At March 31, 2013, accounts payable of the College included \$79,369 due to the Foundation. At March 31, 2012, accounts receivable of the College included \$135,069 due from the Foundation.

	2013	2012
Bursaries	\$ 180,580	\$ 201,619
Donations and other	16,537	16,003
Gifts-in-kind	<u>6,626</u>	<u>22,217</u>
Foundation contributions to the College	<u>\$ 203,743</u>	<u>\$ 239,839</u>
College contributions to the Foundation	\$ 60,000	\$ 60,000

North Island College
Schedule 1 - Schedule of Expenses by Object
For the years ended March 31, 2013 and 2012

Expenses	Budget 2013	2013	2012
Salaries, benefits and other personnel costs	\$ 27,420,105	\$ 28,059,500	\$ 27,306,762
Advertising and promotion	396,306	546,906	496,433
Books and periodicals	305,994	278,787	236,544
Cost of goods sold	1,102,850	1,087,342	1,089,770
Equipment costs	1,434,861	1,498,516	1,049,989
Facility costs	2,677,855	2,937,461	2,503,567
Financial service charges	168,242	142,998	154,272
General fees and services	831,581	1,539,088	1,426,102
Student awards	56,400	413,732	379,283
Supplies and general expenses	728,928	680,035	663,401
Travel	512,522	531,940	447,828
Grant transfers	-	331,419	381,931
Donations to NIC Foundation	-	60,000	60,000
Amortization of tangible capital assets	<u>2,480,000</u>	<u>2,614,632</u>	<u>2,823,603</u>
	<u>\$ 38,115,644</u>	<u>\$ 40,722,356</u>	<u>\$ 39,019,485</u>